

INFORMATION SHEET

OFFERS IN COMPROMISE

Article 8, Sections 1870-1875 of the California Unemployment Code governs the Department's Offers in Compromise program. This law permits the Employment Development Department to receive applications for Offers in Compromise that may enable a qualified tax debtor to eliminate an employment tax liability at less than full value.

Eligibility Requirements

- Individual owners, partners, individuals assessed under Section 1735 of the California Unemployment Insurance Code (CUIC) with inactive out-of-business accounts.

Partners, or individuals assessed under Section 1735 of the CUIC of an active business, only if you no longer have a controlling interest or association with the business that incurred the liability.

- Only nondisputed, final tax liabilities will be considered.
- Must not have access to income sufficient to pay more than the accumulating interest and 6.7% of the outstanding liability annually.

The following formula, based on a liability of \$5,000.00, is provided as a guideline:

Liability of	\$5000	
Annual Interest*	x 7%	
		\$350
Liability of	\$5000	
	x 6.7%	
		\$335
Total		\$685

*Interest rate may change with prime rate and is compounded daily.

Based on the example liability of \$5,000 you must **NOT** have access to annual income sufficient to pay more than \$685 annually or \$57.00 per month.

- Must not have prospects of increased income or assets which allow payment within a reasonable period.
- Must not have assets, which if sold, would satisfy the liability.
- The amount offered must be more than the Department could expect to collect through involuntary means within four years of the time the offer is made.
- Compromises are prohibited for liabilities assessed for fraud (Section 1128) or where the employer has been convicted of a violation of the CUIC.

How to Apply

Offer in compromise applications can be obtained by contacting your local Employment Tax Customer Service Office or the Department at (916) 464-0646. Applications are also available on the Department's internet site: <http://www.edd.cahwnet.gov>. For specific questions or additional information, contact the Offers in Compromise Unit at (916) 464-2726.

EDD is an equal opportunity employer/program. For copies of this publication in alternate formats, please call our Employment Tax Customer Service Representative at 1-888-745-3886. For TTY (nonverbal) access, call 1-800-547-9565.